

EX PARTE OR LATE FILED



**Frank S. Simone**  
Regulatory Division Manager  
Federal Government Affairs

Suite 1000  
1120 20th St., NW  
Washington, DC 20036  
202 457-2321  
FAX 202 457-2545  
EMAIL gall20a1fsimone

October 10, 1996

Mr. William F. Caton, Acting Secretary  
Federal Communications Commission  
1919 M Street, NW. Room 222  
Washington, DC 20554

**RECEIVED**  
**OCT 10 1996**  
Federal Communications Commission  
Office of Secretary

Re: Ex Parte - CC Docket No. 95-116 Telephone Number Portability

Dear Mr. Caton:

Today Harry Sugar and I met with P. Donovan, C. Barenkov, L. Collier, N. Fried, E. Krachmer and J. Scott, all of the Common Carrier Bureau's Competitive Pricing Division. During this meeting we discussed AT&T's previously expressed views regarding the recovery of costs incurred to implement telephone number portability. The attached information was distributed to facilitate our discussion.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)1.

Sincerely,

A handwritten signature in cursive script, appearing to read "F. Simone".

Attachment

cc: C. Barenkov  
L. Collier  
P. Donovan  
N. Fried  
E. Krachmer  
J. Scott

No. of Copies rec'd  
List A B C D E

*022*

CC Docket No. 95-116  
Telephone Number Portability Cost Recovery

# Framework

- Competitive Neutrality
  - No carrier is advantaged or disadvantaged relative to any of its competitors
  
- Public Interest
  - Most efficient implementation and most efficient usage of resources results in lowest cost to end users

## Shared Industry Costs

*Permanent recurring costs to build and administer regional databases  
including amortized investment-related costs*

- Rate Elements Provide the Best Mechanism
  - Encourages economic usage and is competitively neutral
  - Uses the precedent of 800/SMS database rate elements
- Sharing Scheme
  - Cost allocation mechanisms must encourage the most efficient use of the system to keep costs low and be fair to all users
  - Any sharing scheme based on revenues will not encourage efficient usage
  - Different carriers favor different allocators that reduce costs for them and raise costs for their competitors

## Direct Costs

*Predominately one-time carrier-specific costs to implement network elements directly related to permanent number portability*

- Implementation Costs
  - Competitive neutrality should be based on the carriers' cost per line not their total implementation costs.
  - Any "sharing" among the carriers based on revenues will result in individual carrier implementation decisions based on costs allocated to the carrier, not costs based on the most efficient implementation.
- Each Carrier Bears Its Own Direct Costs
  - Leads to most efficient implementation decisions.

## Direct Costs

*It is competitively neutral for each carrier to bear its own costs either through deployment in its own network or through other arrangements.*

- Implementation Costs per Line

- Using a 5M line network and a 5 year cost recovery schedule, AT&T estimates per line costs of 25-30 cents per month.

5,000,000	lines in the network
18,000	lines per switch
278	switches
6	operator svcs. switches
5	SCP pairs

- Total present value per line is \$11.77 - \$14.12.
- For carriers that exceed this cost on a per line basis, it is more cost efficient to purchase queries from other carriers or providers or to make other arrangements rather than deploy SCPs in their own networks.

## Direct Costs

- Conclusion: Each carrier bearing its own cost is both competitively neutral and economically efficient.
  - Large carriers can more efficiently implement the network elements that directly support number portability.
  - Smaller carriers can decide to purchase LNP queries to keep its implementation costs low.
  - Small but growing carriers can choose to implement number portability in their own networks or purchase queries based on sound economic judgment.
  - No carrier subsidizes any other carrier.

## Indirect Costs

*Predominately one time carrier-specific costs to upgrade carrier networks to provide capabilities that support a wide variety of services and technologies, e.g., SS7*

- Implementation Costs
  - These costs will vary greatly among the incumbent LECs dependent upon how well they have kept up with network upgrades and modernization.
  - Incumbents that have not kept up with network upgrades and modernization will favor inclusion of these costs as direct costs.
- Each Carrier Bears Its Own Cost
  - The Commission has properly concluded that indirect costs should be borne by individual carriers as network upgrades.
  - It is consistent with the decision in CC Docket No. 86-10 regarding 800 access.

## Differing Views

- Incumbent LEC View
  - Inflate direct costs with indirect costs
  - Equalize cost burden of inefficient and efficient carriers through cost allocation
  - Guarantee recovery of number portability costs via a mandatory surcharge on all end users
  - Minimize competition through an equal surcharge on all customers
- Competitive View
  - Minimize direct and indirect costs through economic choices
  - Eliminate subsidization of inefficient carriers
  - Enable cost recovery by providing value to customers and driving out excessive costs
  - Maximize competition by providing innovative services and pricing plans in the marketplace